

VERMONT MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM

In-House Actuary Meeting of the Board of Trustees

July 27, 2015 – 2:00 p.m.

VMERS Members present:

PETER AMONS, Chairperson, Employee Representative (term expiring July 1, 2016)

THOMAS GOLONKA, Employer Representative (term expiring July 1, 2016)

DAVID ROWLEE, Employee Representative (term expiring July 1, 2018)

MEL HAWLEY, Employer Representative (term expiring July 1, 2018)

ELIZABETH PEARCE, Vermont State Treasurer

Board members absent:

Also attending:

Laurie Lanphear, Director of Retirement Operations

Joshua McCormick, assistant to Tina Kawecki

Matt Considine, Director of Investments

Katie Green, Investment Manager

Nick Foss, Investments Analyst

David Driscoll, Buck Consolidates

Kai Peterson, Buck Consolidates

The Chairperson, Peter Amons, called the Monday, July 28th, 2015, conference call meeting to order at 2:05 p.m., which was held in the Large Treasurer's Conference Room, fourth floor, 109 State Street, Montpelier, VT.

ITEM 1: **Review and discuss results of Draft Experience Study**

Mr. Driscoll presented to the board the results of the Experience Study for the State Teachers Retirement System. This report covers the period of July 1, 2010 through June 30, 2014. Mr. Driscoll gave an overview of what an experience study is, and two parts it is broken down into, demographic and economic assumptions. These assumptions are suggested by the results of the time period studied. Categories that were studied included but not limited to Active terminations, mortality, and interest rate of return.

Mr. Golonka expressed concern that the board received the draft late and did not have sufficient time to review.

Terminations – Mr. Driscoll directed the board to the appendix of the report where a graph was made showing terminations broken down by age group and genders. Terminations are defined as an employee who leaves the system but is not able to collect a pension. Buck Consultants are recommending various changes to different age groups and genders.

Disability Retirement – Mr. Driscoll stated that the assumed disability probabilities produced expected numbers among male members. However, Buck Consultants is recommending reducing the assumed disability rates by 50% for female members.

Active Deaths – Mr. Driscoll stated that active deaths, like disability, are a small portion of the overall population. Buck Consultants is recommending using a RP-2000 table, scale BB, to assume active deaths. There was significant discussion and no conclusion on this item.

Service Retirement – Mr. Driscoll is proposing calibrations to service retirement as well. The recommendation is to bring the assumption of Group A down, Group B down a little bit, and Group C to stay as is. Mr. Driscoll stated that group D is still too new to make any recommendation. These recommendations would have a modest decrease in liability.

Post-Retirement Mortality – Mr. Driscoll stated that mortality over the past four years has been lower than expected. Buck Consultants is recommending that assumed mortality be set at probabilities in the RP-2000, scale AA mortality table. The board discussed industry trends in mortality. This issue needs more review. The board expressed concerns for municipalities has not been adequately assessed.

Mr. Golonka asked if a back study could be done on previous experience studies using the suggested mortality chart. Mr. Driscoll stated this was possible.

Inactive Status – there is no change recommended to this category. Liabilities for members in inactive status have been maintained at 200% of their accumulated contributions with interest.

Mr. Driscoll then spoke to the board about the economic assumptions. He stated that there are three categories, Salary increase, inflation, and Rate of Return. He stated there is no assumption for overtime wages. He also stated that VSERS has assumed long term inflation at 3% and recent year's data has been below that. However, Buck Consultants is recommending that the inflation assumption remains at 3%. It is also recommended that the assumed rate of return projected long-term over 30 years, be at 7.95%

Mr. Driscoll then turned the presentation over to Mr. Peterson to discuss the economic assumptions. Mr. Peterson talked to the board about the GEMS model that is used and how it works. He spoke about the target asset allocation and capital market assumptions. He also spoke to the board about going from the former method of interest rate assumption, the select and ultimate method, to the now proposed Assumed Rate of Return method.

On Motion by Ms. Pearce, seconded by Mr. Hawley, the board voted to accept the recommended assumed rate of return from Buck Consultants, at 7.95%.

The board decided to defer on adopting the complete Actuary Experience Study until more information is gathered. The board also had concerns that they did not have sufficient time to review and requested additional time for review of the demographic assumptions.

On motion by Mr. Amons, seconded by Mr. Golonka, the board voted to not support any restrictions on investments to preserve fiduciary responsibilities to participants and their concern for the Vermont tax payer.

ITEM 2: Any other business to come before the board

On motion by Mr. Golonka, seconded by Ms. Pearce, the board voted to elect Mel Hawley as the alternate VPIC representative for the VMERS board of trustees.

On motion by Ms. Pearce, seconded by Mr. Rowlee, the board voted to elect Tom Golonka as Vice-Chairperson of the VMERS board of trustees.

ITEM 3: Adjournment

On motion by Ms. Pearce, seconded by Mr. Amons, the Board unanimously voted to adjourn at 4:10 p.m.

Next Meeting Date:

None at this time.

Respectfully submitted,

Tina Kaweck
Secretary to the Board